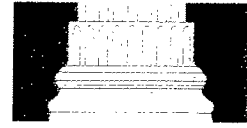


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ASSET BUILDING POLICY PROJECT

March 15, 2011

TO: State Representative Kenneth Kurtz
CC: members of the House Committee on Families, Children and Seniors

RE: House Bills 4409 & 4410

Dear Representative Kurtz:

On behalf of the Community Economic Development Association of Michigan (CEDAM), I would like to take this opportunity to request that while considering House Bills 4409 and 4410 you and your colleagues weigh the importance of eliminating, or increasing, the asset limit test for recipients of the Family Independence Program. Asset limits, while perhaps necessary prior to life-time limits for assistance, now serve as a barrier to self-sufficiency to families as well as an unnecessary cost to the state.

CEDAM is a nonprofit organization representing roughly 300 organizations and individuals committed to rebuilding our neighborhoods and revitalizing communities throughout Michigan. It is a voluntary trade association of primarily community development corporations, community action agencies, and other nonprofits that provide affordable and supportive housing to our neediest citizens, encourage downtown and commercial corridor revitalization, provide workforce and entrepreneurship training, and help families develop and maintain assets to better their lives. CEDAM members provide these services in every county in Michigan—in both urban and rural areas.

CEDAM supports eliminating, or increasing, asset limits for the Family Independence Program (FIP) in Michigan as has been done in a growing number of states since the adoption of the life-time limits for assistance. While asset limits served a purpose prior to the 48-month lifetime limit for FIP assistance, now asset limits create a disincentive to savings and adopting positive financial behaviors, thus hindering the capability of FIP families to achieve lasting self-sufficiency. In addition to creating a barrier to the sustainable financial security of FIP families, asset limits add an unknown cost to state of determining eligibility.

The myriad income and asset limits and exemptions for means-tested programs are very confusing to applicants/recipients and caseworkers. The lack of simple and consistent rules imposes an enormous administrative burden and cost on the state at a time when it cannot afford to spend a lot of time requesting and checking a lot of paperwork from clients. Moreover, research and anecdotal information confirms that it is confusing to determine who is eligible for public benefit programs. This confusion leads to underutilization of needed work support programs and discourages saving and asset building that increase self-sufficiency and decrease reliance on public benefits.

In Michigan, between 2000 and 2007, only 0.0456% of all FIP recipients had their cases closed or denied due to excess asset yet the state had to check the assets of all potential recipients, time and money that could have been spent on service delivery. Additionally, during that same time, more families actually depleted their assets (1.3%) to gain eligibility, thus creating greater long-term financial insecurity for short-term assistance.

As you, and members of the Michigan House of Representatives consider House Bill 4409 and 4410, and other issues related family self-sufficiency, I encourage you to consider how policies like assets limits create unintended barriers to financial independence. Please do not hesitate to contact me if you have any questions or require any additional information.

Sincerely


Ross H. Yednock
Director, Asset Building Policy Project